

SACS ACCOUNTING COMMITTEE

Minutes

September 19, 2000

I. Accounting Issues

A. Changes to the December 2000 CSAM

The coming changes to the California School Accounting Manual (CSAM) Part II in the December 2000 edition were presented in two handouts: a list of the changes to the resource codes and a list of the other changes to the text of CSAM, Part II. These are attached to the minutes.

During the presentation, other accounting issues arose:

1. The new CalSAFE resources are all open to the General Fund, but only Resource 6092, CalSAFE Child Care and Development, is open in the Child Development Fund. Resource 6091, CalSAFE Student Supportive Services, is aimed at services to the student and should be accounted for in the General Fund. Resources, such as Resource 6092, moved from one fund to another retain the same resource using the interfund transfer object code. Funding in one CalSAFE resource should not be transferred into another CalSAFE resource for expenditure.
2. (a) The 2000-01 District-wide School Improvement and Pupil Achievement Block Grant may be used by the District to make their match of the deferred maintenance funding in Fund 14. The Resource 6017 will be open to Object 7615 From General Fund to Deferred Maintenance Fund. Resource 6017 will be open in Fund 14 to track its expenditure in that fund.

(b) It is possible to include the District-wide Block Grant in the 3% requirement maintenance calculation, although the Resource 6017 must be maintained. An example of how these transactions may be coded will be added to the Frequently Asked Questions at:
<http://www.cde.ca.gov/sfsdiv/sacs/sacsfaqs>
3. The Beginning Teacher Incentive funding is in its second year, and the accounting treatment differs in two separate programs. The first, raising the salary level to \$32,000, was available in 1999-2000, and for the first year was accounted for as a categorical with Object 8590, Other State Revenue, and for the second year is a part of the LEA's revenue limit apportionment with Object 8011, Revenue Limit State Aid. The second program, raising the salary level to \$34,000, is

available in 2000-01 as a categorical, and in future years will also be part of the revenue limit.

4. Due to a 1999 change in Education Code sections 1982.3 and 42238.18, we have added back Resource 2400, Juvenile Court/County Community Schools. We have retained Resource 2410, Juvenile Court Schools, and Resource 2420, County Community Schools, as optional resources for those who wish to continue tracking those programs in the separate resources.
5. CDE proposed adding to CSAM a procedure that would require LEAs to recognize as revenue the subsidy granted by the E-Rate and the full expenditure that was made on behalf of the district. After much discussion, it was decided by CDE to refrain from this directive until more research has been done with federal representatives and GASB authorities.

B. Interagency Contracts

Betty Richards of San Bernardino spoke of the logic and benefits of allowing LEAs to use the same resource for interagency contracts for services, for example allowing a LEA who is providing ROP/C services to another LEA on a contractual basis accounting for the payments received and expenditures incurred with the same resource code used by the administering LEA. While CDE prefers that local contracts for services be accounted for with a locally defined resource, this resource use is acceptable if the “vendor” LEA uses the proper Interagency goal and Interagency revenue accounts. This requires close communication between the original recipient of the funding and the LEAs with whom it contracts for services.

C. Grant vs. Entitlement

A discussion draft of how CDE is interpreting *GASB 33 Accounting and Financial Reporting for Nonexchange Transactions*. We believe that revenue should be recognized when all the applicable eligibility requirements are met, that is when the LEA is accepted as a recipient, unless (1) the program has a time requirement with an ending date and (2) the revenue is only recognized when an appropriate expenditure has been made. This is frequently the case with federal programs. However, many state programs do not have an end date after which unspent money must be returned to the grantor, and many state programs are not expenditure-driven but are earned by an agreement to provide certain services to students. In this case, revenue should be recognized when the LEA has entered into the agreement to provide services, and unspent balance should be in its fund balance.

New programs created by the legislature or the governor will be categorized on the basis of GASB 33, although old programs will not be reclassified by this new statement.

D. Flexibility Transfers or Categorical ADA Block Grant

There is some confusion between the Flexibility Transfer and Resource 7005, now called Categorical Programs per ADA Allocation. Please refer to the instructions in the SACS2000ALL Instruction Manual, page 14. The Flexibility Transfer is the annual budget authorization that allows a LEA to transfer up to a defined percent of the state allocation for selected categorical programs into other selected categorical programs. This transaction requires the use of Object 8998, Flexibility Transfer. On the other hand, Resource 7005 is an amount given to LEAs as a “block grant” type of funding that the LEA must transfer out of Resource 7005 into one or more of the Proposition 98 educational programs listed in that year’s Budget Act. This transfer requires the use of Object 8990, Contributions from Restricted Revenues.

E. Function 4000, Ancillary Services

We discussed whether to change the title of Function 4000, Ancillary Services to “Extra-Curricular” or a similar title that might be more self-explanatory. It was decided to leave the title as it is, pending further research into the new federal school accounting guidelines and the reasons why the word “ancillary” was chosen by the initial SACS Accounting Committee in 1996.

F. Prepaid Expenditures

A common question is why Object 9330 Prepaid Expenditures is not allowed with restricted resources. If a resource is a grant in which revenue is only recognized when expenditures are made and within a specific time period, expenditures should not be made outside of that time period. Grants are not open to fund balance, and therefore a Reserve for Prepaid Expenditures will result in a negative unappropriated fund balance. However, restricted resources that do not have specific time periods and so allow fund balances will be opened to Object 9330 Prepaid Expenditures.

G. Fund Balance Accounts

The Combination Tables have not been consistent as to which resources are open to Object 9740 Legally Restricted Fund Balance and Object 9780 Other Designations. Object 9740 is only used in the General Fund. The ending fund balance of other funds is automatically legally restricted. Object 9780 explains how a board plans (designates) to spend a legally restricted fund balance, if the resource is restricted, or how it plans to spend all or part of an unrestricted ending fund balance. The tables will be updated to allow both objects in the General Fund. However, Object 9740 will not be opened in the other funds.

H. Staff Development Accounting

The proper use of Function 2140 was explained. Generally the cost of providing an employee with a class follows the function of that employee. Function 2140 is limited to the cost of hiring in-house staff to prepare staff

development programs for a LEA. See Frequently Asked Questions and/or CSAM, Section 210, pages 177-8, for a full explanation and examples.

I. Charter Schools

Current guidance indicates the necessity of a sponsoring district to include in its financial statements the long-term debt incurred by a Charter School.

Currently, the charter school is part of the district. A copy of the most recent letter from Jan Sterling to the field, dated September 11, 2000 is available on the Internet at:

<http://www.cde.ca.gov/sfsdiv/financial/followup>

II. Software Update

A. Goal X Function

The new Goal X Function table was added to the software as a part of adding the program cost report. This addition caused a great deal of end of year adjustments by LEAs who had not understood that instructional functions must be directly coded, not allocated via Goal 0000. The representatives in attendance expressed concern about the timing of adding tables mid-year. They stress the importance of CDE communicating upcoming changes well in advance and explaining the logic behind the changes.

B. Schedule of Changes

The attendees also expressed a request that some sort of mechanism be put on the Internet that lists the changes made to the matrices each month. Various possible solutions to this problem were suggested, and CDE will work on providing a summary of changes in the future.

C. The TRAN Report

There have been some problems with TRAN, the new transportation report. Corrections have been made, and a corrected form should be downloaded from the Internet. The report is designed to work just as the J141, although some information that was once required has now been eliminated because SACS provides only the relevant information when the data is imported. However, it is important that districts code their Home-to-School costs with the proper resource and function in order for this report to work as designed. Section 213 Transportation was added last year to the December 1999 edition to provide that guidance.

III. Miscellaneous Topics

A. GASB 34

Peggy O'Guin briefly updated the attendees on the progress interpreting and implementing the new GASB 34 Government-wide financial statements.

There were several questions about how fixed assets will be booked, what new funds might be introduced, and how SACS will work in the compilation

of the funds. There is a new SFS site on the Internet that gives our most current information on GASB 34 at:

<http://www.cde.ca.gov/sfsdiv/gasb34>

B. Training Sessions

CDE in partnership with CASBO and FCMAT will be presenting seminars on GASB 34 in November and December. This partnership is also presenting a second seminar on SACS accounting and the SACS software, also scheduled for November and December. For schedules, check the CASBO site at:

www.casbo.org

C. Visiting Educator Needed

School Fiscal Services is looking for a Visiting Educator to fill Joanne Chini's position after her retirement. If you are interested or know anyone who is interested, please contact Joanne at 916-322-5792 or Scott Hannan at 916-322-1466.